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INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 4621
RUEHLM/AMEMBASSY COLOMBO PRIORITY 4874
RUEHKA/AMEMBASSY DHAKA PRIORITY 9991
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 2863
RUEHLO/AMEMBASSY LONDON PRIORITY 4269
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 0045
RUEHKO/AMEMBASSY TOKYO PRIORITY 0968
RUEHCN/AMCONSUL CHENGDU PRIORITY 0303
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
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C O N F I D E N T I A L KATHMANDU 002028

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TAGS: [PREL](#) [CH](#) [NP](#)

SUBJECT: PRC VFM SAYS CHINA AND THE U.S. SHARE A COMMON
GOAL FOR NEPAL

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

SUMMARY

1. (C) In a July 27 meeting with PRC visiting Vice Foreign Minister Wu Tawei, Ambassador Moriarty stressed the importance of a unified approach to the Maoist issue in Nepal. Wu shared the Ambassador's perspective that the PRC and the U.S. must work together to assist Nepal during this time of transition. He agreed that the Maoists should give up their arms and renounce violence before joining the government. Wu also stated that the PRC would be increasing aid to Nepal by USD 30 million. End Summary.

INCREASE IN PRC AID TO NEPAL

2. (C) Vice Foreign Minister Wu confirmed that his visit to Nepal was to discuss ways for China to assist the new government. He disclosed that the Chinese government would provide 200 million RMB (USD 25 million) to the Government of Nepal (GON) in the form of concessional loans subsidized to a zero percent interest rate. Liang Xiang, the Assistant President of the China Import Export Bank, accompanied Wu on the trip and attended the meeting. Wu added that the PRC would also provide 40 million RMB (USD 5 million) additional grant assistance above its existing 80 million RMB (USD 10 million) annual grant for economic and technical projects. Wu was interested in hearing concrete proposals from the GON for the loan money.

STRATEGIC AND UNIFIED GOAL

3. (C) Wu expressed concern that the poor track record of previous Nepali governments might continue in the future; he acknowledged, however, that Nepal had considerable economic potential, if the political situation stabilized. He strongly agreed with Ambassador Moriarty that the Maoists must give up arms and violence before joining the government. Wu stated that the Chinese Government has had an official policy of no contact with the Maoists, but lamented that the Government of India seemed to be cultivating the Maoists. The Ambassador pointed out that there were many factors complicating New Delhi's Nepal policy but that the GOI

clearly recognized the danger a Maoist-controlled Nepal would represent to India. Wu agreed that China, India and the U.S. shared a strategic interest and a common goal in seeking a peaceful, prosperous and democratic Nepal. Wu also acknowledged that India has the largest role to play in Nepal.

AN ACADEMIC, NOT THE PRC, WU PROCLAIMS

¶4. (C) Ambassador Moriarty pushed Wu on the recent comments by well-known Chinese Nepal analyst Wang Hongwei, following Wang's meeting with Maoist supremo Prachanda. The Ambassador noted with concern Wang's assertion that the U.S. was pursuing its own vested interests in labeling the Maoists as a terrorist organization. Wu and Ambassador Sun Heping were anxious to thoroughly disassociate the Chinese government from Wang. Wu acted as though this was the first time he had heard of Wang's comments. Wu emphasized that Wang worked for the Chinese Academy of Social Sciences and not the Chinese government or the Chinese Foreign Ministry.

COMMENT

¶5. (C) Wu seemed doubtful of the new GON's ability to bring a lasting peace to Nepal or create stability on China's border. That said, he seemed determined to try to reassure us that Beijing has no interest in cutting a separate deal with the Maoists and instead would be increasing its support for the GON. We also assume that the delegation will be pushing the GON and the seven-party alliance on Tibet-related issues.
MORIARTY